

Appendix D: Business Rules (OV-6a)

The Business Rules (OV-6a) table below depicts the business rules associated with CIP life cycle business processes. Business Rules (OV-6a) provide a precise definition of what should happen or be enforced, as well as constraints on business processes:

CIP Process Operational Business Rules	Associated Process(s)
At the time of acceptance of the real property asset, the DoD construction agent and the real property accountable officer will execute the Transfer and Acceptance of Military Real Property document	Execute Acceptance Transactions
The real property accountable officer will provide a copy of the executed Transfer and Acceptance of Military Real Property document to the sponsoring entity at the acceptance transaction if the sponsoring entity is not the real property accountable Component for the asset.	Execute Acceptance Transactions
When an asset or an improvement to an asset is placed in service, the cost accumulated to date in the construction in progress (CIP) account must be transferred to the appropriate General Property Plant and Equipment (PP&E) account and recorded in the real property inventory.	Post to General Ledger Relieve CIP and or WIP Account Update CIP and or WIP Account
The cost of the asset placed in service must equal the sum of all construction and design costs.	Relieve CIP and or WIP Account Update CIP and or WIP Account
The terms and conditions of a contract must include a provision, where applicable, that requires the supplier to provide estimated costs by Real Property Unique Identifier(s) on invoices. A reasonable allocation methodology of costs will be determined after contract award for auditability.	Develop or Modify Contract or Order
Indirect project cost must be allocated across construction in progress (CIP) accounts no later than final acceptance based on the direct cost of the asset as a percentage of the total direct cost of all assets in the project.	Update CIP and or WIP Account
When a DoD entity is constructing a real property asset to be transferred to another DoD entity on a direct cite basis, the constructing entity must accumulate cost in a construction in progress (CIP) account for the benefit of the fund owner.	Create CIP and or WIP Account
When a DoD entity is constructing a real property asset to be transferred to another DoD entity on a cost reimbursable basis, the constructing entity must accumulate cost in a work in progress (WIP) account.	Create CIP and or WIP Account
For each cost-shared project between Federal and Non-federal entities, a construction in progress (CIP) account must only be created if the asset is federally owned.	Create CIP and or WIP Account
For each cost-shared project between Federal and Non-federal entities where the Federal Government is the construction agent, a work In progress (WIP) account must be created if the asset is not federally owned.	Create CIP and or WIP Account
For each cost-shared project between Federal and Non-federal entities where the asset's final ownership was not determined at project design, project design cost must be relieved from the construction in progress (CIP) account and expensed to the general ledger when it is determined that the asset will not be federally owned.	Relieve CIP and or WIP Account Update CIP and or WIP Account
Only the Federal share of construction costs for real property being constructed on federal property in conjunction with a non-federal project (e.g. state or other entity) should be captured in a construction in progress (CIP) account.	Create CIP and or WIP Account Update CIP and or WIP Account
For each cost-shared project between Federal and Non-federal entities when the asset is constructed on a federal property, the asset is recorded at its full value in the appropriate general PP&E account of the accountable Component.	Relieve CIP and or WIP Account
Only the DoD share of construction costs for real property being constructed on DoD property in conjunction with another federal agency (e.g. Department of State) should be captured in a construction in progress (CIP) account on DoD's financial statements.	Create CIP and or WIP Account Update CIP and or WIP Account

CIP Process Operational Business Rules	Associated Process(s)
For each cost-shared project between Federal and Non-federal entities where the Federal Government is not the construction agent and the asset is not federally owned, the Federal Government share of construction cost must be expensed, as incurred.	Update CIP and or WIP Account
For a construction project, the same project number must be used for all phases.	Conduct Architectural Design Perform Construction Restoration Modernization Request Design Approval Per Milestone Review and Inspect Design
Each military construction project performed by construction agents must have both design and fund authorizations prior to initiating construction in progress (CIP) or work in progress (WIP).	Create CIP and or WIP Account
The title for real property assets and improvements constructed on federal property, without regard to construction agent or fund source, will be held by the Federal Government.	Update Asset Record Update CIP and or WIP Account
After the Real Property final acceptance is executed, each additional project cost must be expensed and must not be included in the construction in progress (CIP) account.	Update CIP and or WIP Account
Each authorized work order for an in house minor construction project must be present to initiate construction in progress (CIP).	Create CIP and or WIP Account Develop and Update Work Order
Each authorized work order for an in house minor construction project must have authorized funding prior to performance of work.	Develop and Update Work Order
After the asset is placed in service, each additional cost incurred must be recorded in the construction in progress (CIP) account until final acceptance and then transferred by RPUID to the appropriate General PP&E account.	Relieve CIP and or WIP Account Update CIP and or WIP Account Update Asset Record
Preliminary planning cost accumulated prior to design authorization must be expensed and not be captured in the construction in progress (CIP) account.	Create CIP and or WIP Account
When a project is cancelled, each cost accumulated in construction in progress (CIP) accounts must be expensed.	Relieve CIP and or WIP Account Update CIP and or WIP Account
When a portion of a project is cancelled or decreased in scope, the cost directly associated to that portion of the project and an allocated portion of the common cost in the construction in progress (CIP) must be expensed.	Relieve CIP and or WIP Account Update CIP and or WIP Account
Each project deferred for more than two years must be reviewed for continuance or cancellation during the review cycle.	Receive Design Approval Response
At least one Real Property Unique Identifier must be established at the creation of the construction in progress account.	Create Initial Asset Record
Construction in progress (CIP) must be tracked by the project number and associated with the Real Property Unique Identifier(s).	Create Initial Asset Record
Each DoD Agency must obtain a Real Property Unique Identifier from the real property accountable Component upon receiving the official authorization to perform work on a real property construction project.	Create Initial Asset Record
The sponsoring entity of a real property construction project must acknowledge to the construction agent that the Real Property asset is ready for acceptance prior to acceptance by real property accountable Component.	Execute Acceptance Transactions
The sponsoring entity of a real property construction project must ensure that all costs incurred by the sponsoring entity are provided to the construction agent on a formal document for inclusion in the full cost of the asset prior to acceptance by real property accountable Component.	Execute Acceptance Transactions
Each supplier must provide invoices at the level of detail defined in the terms and conditions of the contract or order.	Accept Goods and Services Monitor Contract Receive Goods and Services
The creation of a work in progress (WIP) and or construction in progress (CIP) account for real property assets must be dependant on the type of work, asset, and funding method.	Create CIP and or WIP Account
Prior to performance of work, the scope of the work order must be approved.	Develop and Update Work Order
For a real property construction project, all costs for improvements that increase the useful life, efficiency, capacity, or size of an existing asset, or modifies the functionality or use of an asset shall be capitalized.	Update CIP and or WIP Account Relief CIP and or WIP Account
Each construction in progress (CIP) account in an abeyance status must be reviewed for continuance or cancellation during the review cycle.	Update CIP and or WIP Account Receive Design Approval Response

CIP Process Operational Business Rules	Associated Process(s)
All additional project costs incurred following the placed in service date shall be transferred from the construction in progress (CIP) account to the real property asset account by RPUID with the final Transfer and Acceptance of Military Real Property document.	Update Asset Record Relieve CIP and or WIP Account Manage Sales and Procurement
For construction projects that are completed in multiple phases, the cost of each phase is transferred from the construction in progress (CIP) account to the real property asset account at the time the phase is placed in service.	Update Asset Record Relieve CIP and or WIP Account Manage Sales and Procurement
For financial reporting purposes, portions of construction in progress (CIP) reported by the construction agent and sponsoring entity must tie to the total amount of construction in progress (CIP) reported for the project.	Update CIP and or WIP Account
For a specified project, and for the purpose of an audit trail of the construction in progress (CIP) account, the government's project construction agent and/or the sponsoring entity must retain the supporting documentation for their respective portion of the project that they have fiscal accountability for.	Update CIP and or WIP Account Update Asset Record Manage Sales and Procurement
For an accepted real property asset, and for the purpose of an audit trail, the government's project construction agent and/or the sponsoring entity must provide to the real property accountable officer the list of auditable supporting documentation that must be provided, along with their location, who in turn must ensure the documentation is retained in accordance with applicable laws, regulations and instructions.	Update Asset Record Manage Sales and Procurement
The minimum information associated with construction in progress (CIP) amount reported for financial statement preparation purposes must include the Customer Project Number, Project Detail Fund Code(s), Project Detail Cost, Project Detail Organization Code(s), Programmed Amount, and Real Property Unique Identifier(s).	Create CIP and or WIP Account Update CIP and or WIP Account Update Asset Record
Sponsoring entities shall continue to report construction in progress (CIP) on its financial statements until the real property asset is accepted by the real property accountable Component.	Update CIP and or WIP Account